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**SUPPLEMENT TO  
REPORT NO.**

DATE OF INFO.

1. General FU Tso-yl has drafted a circular telegram to be transmitted to the Chinese Communists simultaneously from Nationalist headquarters in Peiping and Tientsin. The message is being flown to the Tientsin headquarters on 29 December for early release. It contains the following items:
  - a. A review of the military situation.
  - b. A statement by FU that he is most reluctant to use his military power to the detriment of cultural and historic Peiping and its two million people, and his hope that the Chinese Communists will understand his position and refrain from destroying the city themselves.
  - c. A further statement by FU that he has no personal ambitions and desires to resign his military position and return to the farm.
2. Following the release of this message, FU intends to fly to Nanking to await an answer from Communist headquarters. He plans to leave General LI Wen, Commander of the Nationalist 13 Army, in temporary charge in Peiping.

Comment. FU is now unimportant personally and impotent militarily, except insofar as he is capable of destroying Peiping and Tientsin in his own collapse. He is a tool of the national and local Kuomintang leaders, who have both more influence and more energy than FU. The message FU has drafted is part of a Kuomintang-sponsored peace offensive which seeks to use FU's occupation of Peiping and Tientsin as a means of obtaining more favorable terms from the Communists than the military situation warrants. Kuomintang leaders in Peiping such as HSU Hui-tung, chairman of the city council, are enthusiastic over the possibility of peace. SUN Fo also is anxious for peace and hopes to extend a regional settlement with the Communists in North China into a national settlement on terms which would be more favorable to the Nationalists than would be obtainable later.)

Comment. The greatest danger inherent in the situation as it is developing arises from the possibility of FU's leaving for Nanking. This might quite possibly give rise to looting by Nationalist troops and serious civil disorder, once FU's departure became known. It is felt that General Li Wen would be unable to control any but his own troops, who are in the minority. In case of such civil disorder, the Communists would enter Peiping to maintain order.)

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